

Town Manager's Budget Message

TO: George Fitch, Mayor
Members of Town Council

FROM: Kenneth L. McLawhon
Town Manager

DATE: March 15, 2004

In accordance with the Town of Warrenton's Town Charter and Code, the following is submitted for Fiscal Year 2004/2005. The budget contained herein presents the fiscal plan for the operation of the Town for a period of twelve months. The General Fund budget represents the first section and continues to be supported by local tax revenues, fees and state reimbursements which are necessary to provide local services. Second is the Proprietary (Enterprise/Utility) budget which is intended to be financed from revenues generated by customers or user fees associated with the provision of water and wastewater services. The Town's real estate owners will wish to note that this financial plan continues to be supported by a three (.03) cents per \$100 of assessed value real estate tax rate.

This budget has aggressively sought to anticipate potential fiscal constraints resulting from the Commonwealth of Virginia's current budgetary demands, while simultaneously undertaking capital improvement projects.

The Town continues to maintain an exemplary level of service in each of its departments such as public works, public safety, utilities, planning/zoning, street maintenance, refuse/recycling collection, administration, and truly continues to realize an admirable level of efficiency and effectiveness.

	Approved Budget FY 2001	Approved Budget FY 2002	Amended Budget FY 2003	Amended Budget FY 2004	Proposed FY 2005
General Fund Operations	\$5,412,392	\$5,723,498	\$6,006,163	\$5,530,167	\$5,682,753
Water/Sewer Fund Operations	\$3,134,925	\$3,305,791	\$3,526,498	\$3,669,103	\$2,909,219
General Fund Transfers to Reserves & Capital Projects Fund	\$455,635	\$355,628	\$1,794,449	\$2,609,132	\$2,992,488
Water/Sewer Fund Transfers to Reserves & Capital Projects Fund	\$0	\$0	155,343	\$2,545,091	\$1,540,292
Capital Projects Fund	\$1,283,375	\$484,803	\$2,243,825	\$5,201,639	\$105,800
Water/Sewer Capital Projects	\$634,009	\$612,243	\$1,228,681	\$2,271,867	\$945,044

This year's proposed General and Enterprise budgets:

- Maintain the existing real estate tax rate of \$0.03 per \$100 assessed value
- Maintain the existing utility rate structure.
- Undertakes important Capital Improvements Projects

Each of the two budget's categories or funds will also retain reserves of fifteen percent (15%).

Issues that Transcend the Budgets.

All departmental budgets are continually developed with the Town's guiding principles, as found in the Warrenton July 2002 Strategic Plan, in mind. Specifically to:

- Provide a personal approach to serving citizens
- Increase the cost effective delivery of Town services.
- Increase recreational and leisure choices
- Support planned and orderly growth
- Maintain the Town's current boundaries and scale while preserving the unique small town character and feel of Warrenton
- Preserve scenic views and landscape's character
- Expand Warrenton as a tourism destination
- Preserve our historic downtown

The Town continues to remain optimistic about meals tax, sales tax and other business related discretionary revenues; however, this proposed budget curtails expenditures where ever appropriate or necessary and further ensures revenues remain sufficient to meet operational requirements.

VRS

In late 2003, VRS (Virginia Retirement System) approved employer contributions rates of participating political subdivisions across the Commonwealth. Of the 405 localities that provide their employees' retirement benefits through VRS, approximately 72 percent experienced a rate increase. The Town Of Warrenton contribution increases from nine percent to ten percent effective July 1, 2004.

According to VRS, these rate increases can be attributed to three primary factors. "First, the financial markets have performed poorly over the past couple of years. Secondly, some localities have increased their payrolls beyond projections by adding positions and providing pay increases to staff. Finally, some localities will experience increases based on their individual group demographics."

The FY 2005 impact of this 1% increase is approximately \$39,400 for all funds.

Health Insurance

The commencement of the new fiscal year on July 1, 2004 should not result in any employee suffering a reduction in pay, just as increased compensation will not be budgeted via a cost of living increase in this coming year. The Town's current insurance carrier, VACO Insurance Programs, (Optimum Choice, Inc.), responded to the Town's Request For Proposal of January 9, 2004 and the results also yielded a positive proposal which is consistent with the Town's recent history. It should be noted that this HMO benefit plan offered by our current provider is virtually the same as the point of service (POS) product currently offered by the carrier. The primary difference being the HMO plan does not have an "out-of-network" program, except in the event of an emergency. The same amounts as currently paid by the Town's employees should be kept in place. If an employee wishes to "buy up" to the current point-of-service plan, that alternative would be made available.

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
General Fund	\$380,063	\$375,273	\$388,746
Water/Sewer Fund	\$168,947	\$163,926	\$168,530
Motor Pool*	<u>\$13,703</u>	<u>\$13,630</u>	<u>\$11,512</u>
Total	\$562,713	\$552,830	\$568,788

*The reader should refer to individual departments for prior motor pool fund line items which can now be tracked by each responsible department head.

General Fund Budget

As shown on the proceeding page, the FY 04/05 the general fund's operational budget remains at \$5,682,753, or slightly above the FY 03/04 operational cost of \$5,530,167 but below the FY02 and FY03 budgets.

SUMMARY GENERAL FUND REVENUES FISCAL YEARS 2002 THROUGH 2005

	2001-2002	2002-2003	2003-2004	2004-2005
General Property Taxes	\$ 658,424	\$ 578,141	\$639,953	\$ 635,391
Other Local Taxes	3,372,902	3,927,768	5,041,190	5,437,203
Licenses, Permits & Fees	119,410	131,560	277,155	370,817
Fines & Forfeitures	90,000	77,000	91,000	91,000
Revenue from Use of Money/Property	212,283	203,150	102,570	102,879
Miscellaneous Revenue	61,440	42,300	233,471	200,150

	2001-2002	2002-2003	2003-2004	2004-2005
Non-Categorical Aid	568,746	593,368	669,751	717,266
Categorical Aid	995,921	927,625	1,008,165	1,120,535
Transfers & Reserves	-	1,319,700	76,044	0
TOTAL GENERAL FUND	\$ 6,079,126	\$ 7,800,612	\$8,139,299	\$8,675,241

SUMMARY GENERAL FUND EXPENDITURES
FISCAL YEARS 2002-2005

	2001-2002	2002-2003	2003-2004	2004-2005
Legislative Department	\$ 97,316	\$ 95,484	\$114,580	\$137,066
Executive Department	162,675	147,926	140,646	152,090
Legal Services	103,590	103,551	103,357	89,190
Finance Department	315,862	345,508	321,661	312,875
Memberships & Dues	4,056	4,450	5,079	5,381
Data Processing Department	119,254	142,222	127,153	130,003
Electoral Board & Officials	4,950	0	5,854	0
Public Safety Department	1,930,801	2,060,978	2,057,003	2,117,379
Public Works Department	2,184,131	2,176,929	1,917,713	2,023,316
Contributions	127,200	134,900	54,700	90,712
Parks & Recreation	144,292	152,007	138,320	123,920
Planning & Community Development	463,480	548,287	448,505	418,821
Debt Service	65,891	67,921	10,595	0
Reserve for Contingencies	0	26,000	85,000	82,000
Transfers & Reserves	355,628	1,794,449	2,609,132	2,992,488
TOTAL GENERAL FUND EXPENDITURES	\$6,079,126	\$7,800,612	\$8,139,299	\$8,675,241

Water and Sewer Fund Budget

The Water and Sewer Fund operating budgets decreased significantly over the prior year from \$3,669,104 to \$2,909,219 due to retirement of long-term debt.

SUMMARY OF WATER/SEWER FUND REVENUES

FISCAL YEARS 2002-2005

	2001-2002	2002-2003	2003-2004	2004-2005
Permits Privilege Fees & Licenses	\$7,700	\$7,900	\$10,400	\$13,000
Revenue from Use of Money/Property	204,052	202,000	203,000	219,524
Charges for Services	3,023,500	3,279,215	3,566,324	3,747,619
Miscellaneous Revenue	22,650	22,200	155,733	187,912
Grant Revenue	27,600	0	0	0
Non-Revenue Receipts	632,532	745,300	3,623,750	1,226,500
Transfers & Reserves	0	653,907	926,855	0
Total Water/Sewer Fund Revenues	\$3,918,034	\$4,910,522	\$8,486,061	\$5,394,555

SUMMARY WATER/SERWER FUND EXPENDITURES

FISCAL YEARS 2002-2005

	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
Meter Reading	\$192,797	\$232,908	\$257,869	\$269,392
Source of Supply	526,760	552,903	545,852	579,254
Transmission & Distribution	350,373	392,948	420,597	447,689
Wastewater Plant Operation	893,069	980,474	1,039,570	944,150
Water/Sewer Administration	505,583	559,260	586,464	632,734
Reserve for Contingencies	0	0	36,000	36,000
Debt Service	837,209	808,005	782,751	0
Subtotal	\$3,305,791	\$3,526,498	\$3,669,103	2,909,219
Capital Projects	612,243	1,228,681	2,271,867	945,044
Transfers & Reserves	0	155,343	2,545,091	1,540,292
Total Water/Sewer Fund Revenues	\$3,918,034	\$4,910,522	\$8,486,061	\$5,394,555

Summary

The details of each department and section follow the respective narrative for that department or section.